



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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### House Republicans Turn Their Backs on Unemployed Workers

Dear Democratic Colleague:

House Republicans have adjourned the 107<sup>th</sup> Congress without extending unemployment benefits for countless workers who have been unable to find jobs this fall. In fact, Republicans question the need for an extension at all, according to the *Wall Street Journal* (11/25/02).

The lack of action on this important issue is particularly disturbing for several reasons.

First, Republicans' failure to act will mean that 830,000 jobless workers will be cut off from unemployment benefits during the holiday season, while the economy is still in decline.

Second, House Republicans rejected bipartisan

Senate legislation that would have extended jobless benefits for an additional three months.

#### Unemployment at a Glance

Officially unemployed	8.2 mil
Not in labor force but want a job	4.1 mil
<b>Total wanting a job</b>	<b>12.3 mil</b>

When the 108<sup>th</sup> Congress convenes in January, it should take early and appropriate action to help unemployed workers and to provide needed stimulus to the economy.

### Temporary Extended Benefits Expire on December 28

In March, Congress enacted the Temporary Emergency Unemployment Compensation (TEUC) program to provide 13 weeks of federally funded unemployment insurance to qualified workers who had exhausted their state-funded benefits, and an additional 13 weeks to some in "high-unemployment" states. Congress adjourned without extending the program, which thus ends on December 28, abruptly cutting off benefits to the 830,000 current participants and denying access to the one million people who will exhaust their state-funded unemployment compensation (UC) benefits in the following month. Benefits average \$224 per week.

## House and Senate Attempts to Extend Temporary Program

On November 14, the House and Senate passed bills relating to the TEUC program. The House Republican bill (H.R. 5063) would have extended parts of the program to some participants for five weeks; on a bipartisan basis, the Senate passed a bill (H.R. 3529) to extend the entire program for three months. Because House Republicans refused to compromise, the program will end on December 28.

The House Republican bill would have extended unemployment benefits for only five weeks for a small subset of the unemployed. Workers in “high unemployment” states who exhaust their state-funded benefits after December 28 would have been able to apply for TEUC benefits through February 2; currently, only three states – Alaska, Oregon, and Washington – are considered high-unemployment states. The Republican House bill also would have allowed current participants to continue receiving their benefits through February 2, up to their maximum of 13 weeks.

In contrast, the bipartisan Senate bill would have extended the entire TEUC program for three months; jobless workers could continue to apply for benefits through the end of March and to receive their entire 13 weeks of benefits through the end of June. This would have helped 2.1 million workers.

## Congress Needs to Extend Unemployment Compensation

Even the relatively low dollar amount of UC benefits help both unemployed workers and the economy, which gains from the stimulus of extra consumer spending when unemployment rises during a recession. However, after December 28, unemployed workers who have exhausted their regular UC benefits (26 weeks) and their permanent extended benefits (13 weeks) will receive nothing. This will affect many people – 1.8 million by February 2.

<b>1.8 Million Will Lose Benefits by February 2</b>	
TEUC benefits expired by October 31 and are still jobless	951,000 people
TEUC benefits expire between November 1 and December 28	376,000
UC benefits expire between December 29 and February 2	474,000

Source: Center on Budget and Policy Priorities

Unemployment is still rising. With 8.2 million people officially unemployed, the unemployment rate rose to 5.7 percent in October. (This rate understates how many people truly are unemployed because it excludes 4.1 million people who want a job but whom the Department of Labor does not consider officially unemployed.) The Congressional Budget Office forecasts that the unemployment rate will rise to about 6.0 percent through the first half of 2003. The number of people experiencing long-term joblessness — unemployed 15 weeks or more — has more than doubled since President Bush took office and now stands at three million, indicating that new job opportunities are scarce. New claims for unemployment benefits average more than

400,000 per week, indicating that the pace of job loss is about where it was at the beginning of this year.

## **How Unemployment Compensation Works**

The federal and state governments work together to temporarily replace part of the wages of people who are involuntarily unemployed and are looking for work. Each state designs and manages its own program within the framework of federal requirements.

Weekly benefits in fiscal year 2001 ranged from a low of \$133 in Puerto Rico to \$478 in Washington, with an average of \$224. States cut off regular benefits after 26 weeks except for Massachusetts and Washington, which provide 30 weeks. A permanent extended benefit provides half of a worker's regular benefit for a maximum of 13 weeks in states experiencing high unemployment. Not everyone qualifies for the permanent extended benefit.

The UC program is financed by a combination of state and federal payroll taxes. States set their own laws to collect taxes to pay for regular benefit payments and half the cost of the permanent extended benefit. The federal government levies an effective annual 0.8 percent tax on private employers of at least the first \$7,000 of wages to each employee covered by UC. This federal contribution funds the other half of the cost of the permanent extended benefit as well as state employment services and loans to insolvent UC accounts.

Most people find work before their benefits expire. However, during bad economic times, many people cannot find work and so exhaust their benefits. Congress has enacted programs to extend UC during eight periods of serious economic decline. The previous temporary extended UC program lasted from November 1991 to April 1994 and provided \$27.9 billion to participants. The current TEUC program runs from March 9 through December 28, 2002, and provides 13 extra weeks of UC in all states and an additional 13 weeks in designated high-unemployment states.

The economic conditions that spurred Congress to create the TEUC in March have not gone away. America's unemployed workers deserve additional assistance, and our economy needs it. I urge you to work with me to see that the 108<sup>th</sup> Congress promptly addresses this issue.

Sincerely,

John M. Spratt, Jr.  
Ranking Democratic Member